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# **THE GEOGRAPHIC SHAPE OF NONPROFIT SECTOR IN HUNGARY**

PROPOSITION OF THE THESIS

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## **Raising the question**

The increase of the nonprofit sector and its headway had already begun in the 1970s in advanced western democracies. The organizations of the sector offered innovative, flexible solutions to the renovation of oversized and badly structured public services for the overspent welfare states which faced crisis. Having recognized the opportunities available in the nonprofit sector, they regarded them as important allies in dealing with the crisis. The phenomenon of the third sector, which emerged beside the market and the state, has called the attention of the social sciences. Following the pioneers of economic sciences, now numerous disciplines, became interested in the nonprofit sector. This happened after it had come to light that nonprofit organizations participate in the development, not only by unique and innovative services, but also with democratic controls to bring about social capital, which is another significant input to the progress.

In Hungary, in contrast to the advanced democracies, the nonprofit sector only later started an intensive increase in connection with the disintegration of the party-state system. The social significance of it was recognized very early by Hungarian scholars. On the contrary, the continuous increase in the weight of this kind of organization is more due to the European Union's expectations and the following of the western model, rather than the wide-ranging recognition and acknowledgement of their importance in the socio-economic development and the operation of the democracy.

## **Main questions of the research**

The aim of the thesis is to examine the Hungarian nonprofit sector from a geographical, primarily a territorial point of view.

For this reason, the paper interprets the development of the nonprofit sector in connection with the social phenomena and processes and finds emphasized attention for the nonprofit organisations' role played in development. In addition it tries to reveal the fundamental characteristics of the territoriality of the sector and analysing more deeply the peculiarities of the capital and the county capitals, which possess favourable indicators.

## **Sources and methods of research**

The thesis builds upon the evaluative, analytical interpretation of the literature, which had a particularly important role in the interpretation and systematization of the conceptual background of the sector, just as its improvement being linked to social processes, as well as the role it played in development. The background literature of the Hungarian nonprofit sector is very much fragmented: documents of varying reliability relating to the topic can be found in the most diverse places. These are often written without apparent awareness of one another or with minimal citing. The interpretation of the concepts attached to the non-profit sector is very different in many cases in the individual documents. Because of this some summary works have great significance, like Éva Kuti's (1998) and Mária Bartal Anna's (2005) writings, and the Civil Review, a thematic journal launched in 2004. A territorial view is taken very rarely in the literature. János Rechnitzer's (1998) essay excels among them presenting a description of the condition of the sector immediately after the transition, and seeks deeper socio-economic relations by utilizing variables from the mid-1990s.

The qualitative methods of analysis is of great importance in the territorial and settlement research of the thesis, which is based on the annual publications of the Hungarian Central Statistical Office (KSH). The frequent changes and adjustments of the statistical methods raised difficulties in the examinations in the interpretation of which KSH colleagues dealing with the topic gave me great support with their. The examination was limited by the fact that only limited data was available in smaller aggregates below the level of county.

I utilized several statistical methods for the classification and analyzing of the data: cross tab, territorial data matrix, shift-share analysis, correlation, weighted standard deviation and dual-index. In order to interpret the organizational capacity as a sample of Bennett-index, I created a complex indicator. The thematic maps were prepared by MapInfo, the diagrams were constructed using Microsoft Excel software for the presentation of the results.

## **Results and conclusions of the research**

1. The dissertation summarizes service-provider, representation-of-interest and community-organizing roles of the nonprofit sector. This was based on a wide-ranging theoretical background, from which its main functions in the development emerges. On this basis it reveals that the activity of the nonprofit sector is highly important in the unique, claim-based services, in the correction of some mistakes of the state and market sector, as well as in the formation of the social capital.
2. To date, a wide-spread nonprofit sector has come into existence in Hungary. Its contacts have started forming inside and across the borders. The nonprofit organizations perform outstandingly important tasks in several areas. In fact, positive examples can be found for the realization of each of the important functions of the nonprofit sector. While the literature sources and the international

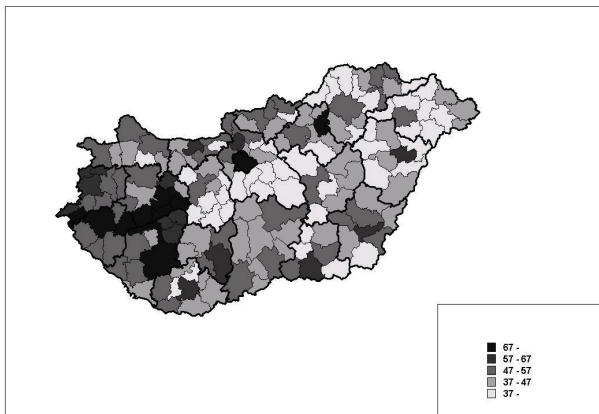
comparisons also call attention to the weaknesses of the nonprofit sector in its role played in the development, either focus on the representations of interest, the services, or the community organizing activity. There are currently only a few professional organizations in operation. So that the nonprofit sector fulfills its social functions adequately, there would need to be considerable capacity for building and the deliberate treatment of the sector in terms of development.

3. The various effects influencing the nonprofit sector after 1990 has resulted in a very heterogeneous inner structure where the subfields are connected to different segments of the society. Consequently they often follow different developmental paths. This diversity impressed strongly the territorial appearance of the nonprofit sector.

4. The thesis summarizes the literature preliminaries of the regional examination of the nonprofit sector and gives a more detailed description about its regional connections. The researches on small-region level, which are not typical in the earlier writings, gave an opportunity for more punctual identification of the better and worse supplied areas with nonprofit organizations (figure 1.).

figure 1.

*Nonprofit organisational supply in the Hungarian small regions, 2003  
(number of the nonprofit organizations per ten thousand capita)*



The inner relations of the Budapest agglomeration were revealed by these examinations. The research has unambiguously verified the important role of Balaton as an outstanding supply of the surrounding counties. It has also enlightened the united projecting figures of West Transdanubia. It

has also reinforced that the county capitals, just as the small and medium sized cities with a lot of functions are in better positions, while the areas with an industrial character and with an industrial past are left behind from them. The examination has given an opportunity to identify the unfavourable areas beyond the county level. According to this, there is an extensive inner periphery south and particularly southeast from Budapest, ranging from the Enying small region to the Heves small region. The eastern side of this area continually decreases. Exterior periphery can be identified along the Slovakian and Ukrainian border of Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg county, which shows a stable sustainability according to the transformation processes.

5. At the great region level the west-east disparities can be unambiguously identified, but from the examinations of the lower territorial aggregations it is clear that this phenomenon primarily prevails by the collective nonprofit organizations in the nonprofit sector, and it is based only partly in the economic development.

6. The examinations of the inner disparities have indicated that the activities characteristic of the nonprofit sector, are distributed among the counties uniformly on a whole. The cost-benefit analysis also pointed that the dynamics of the activities do not significantly influence the developmental paths of the counties, rather other territorial effects have been dominating. On the contrary, there are huge differences between the distribution of the nonprofit organizations and the organizational resources. This enforces the claim of the literature (Bucher E. 2004; Kákai L. 2005) that the distribution of the organizations and the incomes are separated from each other, and that the incomes are primarily concentrated to the close-to-state organizations. The examination also refers to that the number of the organizations are much more connected to the existence of the voluntary activities and the organizational infrastructure. The analyses concerning to the organizational capacity indicated that beside Budapest two function-rich county, Csongrád and Baranya, also have favourable supply compared even to their population or to the number of organizations. From the distribution of the organizational capacities it appears that, however, the worst supplied counties with organizations lag behind compared to their population, but they (except Jász-Nagykun-Szolnok county) have excellent supply compared to the number of the organizations. The situation of Vas county and the counties surrounding Balaton is absolutely opposite.

7. The correlational examinations have verified that the non-profit organisations have been attached to the social and economic development indicators in connection the number of the economic organisations, with the personal income tax, the car possessing, the telephone supply and the high qualified population. They have also identified a connection between the distribution of some social service indicators and of the nonprofit organizations. The connections have occurred to be more

significant at the foundations every time, at this organizational form group the correspondence with the urban population's indicators is typical.

8. The link of the nonprofit organizations to the settlement slope manifests form more point of view, according to what the function-rich settlements on the higher settlement level with favourable social-economic figures generally attract the nonprofit organizations as well. It is unambiguously clear from the data that there is a strong relation between the range of nonprofit organizations and the seat settlement's position on the settlement slope. In connection to the proportions changing between the settlement types during longer period, the estimation showed that the declaration of settlements to cities has been able to significantly influence the changes in ratios in the 'villages' and the 'other cities' category.

9. The stability and the slight closing up is what characterize the territorial relations of the nonprofit sector on the organisations' level on a long term. The slow leveling can be unambiguously identified in the smaller settlements approaching to Budapest, in the closing up of the less provided county capitals to the ones being supplied and in the temporal changing of deviation and the dual-indexes at the county level. The territorial appearance of the changing processes pointed out that the emergence of Budapest and the Balaton are stable elements of the territorial structure on a long term. It has also enlightened that Somogy and Jász-Nagykun-Szolnok county has fallen back, and also that the Balaton do not drive the dynamics any more. This latter is most probably in connection with other crisis phenomena identified at the lake (Lőcsei H.-Németh N. 2006).

10. The Hungarian nonprofit sector is highly centralized. To the maintenance of the dominance of the capital the factors that contribute are its role in the representation of interests (table 1.), the advanced institutional state of the local nonprofit sector as well as the concentration of the national and international ranged organizations.

table 1

*Distribution of the income of the nonprofit sector which links significantly to the central decisions, 2005*

(%)

Denomination	Population	State support	Not normative support from the state budget	Income form applications
Budapest	16,8	54,7	70,6	51,2
Country	83,2	45,3	29,4	48,8
<i>Total</i>	100,0	100,0	100,0	100,0

On the contrary, there are also more processes, which were effecting towards the moderation of this dominance, but these are not as fast and not as deep that they would be able to change the status quo fundamentally. Besides of these, presumably, the nonprofit sector of the capital, which is the most professional, will be able to adapt to the challenges of the accession to European Union.

11. The nonprofit sector of Budapest not only precedes the other parts of the country in its quantitative indicators, but the sector himself moves on a different path with a different character. The high proportion of the ‘international relations’ and ‘multipurpose grant, nonprofit associations’ activities indicates the capital’s nonprofit sector’s role as an international gate and the central functions of the networks in country-wide. The capital is also dominant in research activities accomplished in nonprofit legal forms. Contrary to this, Budapest is weaker than the counties in attracting ‘settlement developing’ activities as well as settlement and settlement part ranged organizations, which may refer to weaker community connections of the local society.

12. The examinations have showed that the emerging supply of Budapest in the nonprofit sector is not unique, several county capitals’ indicators precede the capital’s. The analyses revealed the great inner division too.

figure 2.

*Nonprofit organisational supply in the districts of Budapest, 2005*  
*(number of the nonprofit organizations per ten thousand capita)*



The differences in supply has been decreasing from the center to the outskirts in concentric order (figure 2.). It is based on that the institutes of public administrations, for-profit organizations and the institutes of the public service generally settle in the center. The emerging data of the inner areas

became more significant by the outward migration of the population. There is a huge opposition between the city of the capital, of which soaring data are unique even in the country, and some external districts, of which supply indicators are as low as the least supplied counties. This inner division questions the uniform management of the capital in relation to the nonprofit sector.

13. The thesis clarifies Pest county's contradictory role appearing in the literature, namely that one of the least supplied counties in the country is a part of the best supplied region. Beyond the trivial solution of this contradictory – that the other part of the region, in this case Budapest, lifts the Central Hungarian region against Pest county – it is also true that the population growth in the agglomeration covers in a big part the growth of the organizations' number which follows it with delay. The unfavourable supply indicators in the agglomeration truly cover a dynamically progressing area concerning the absolute numbers and its ratios to the country.

14. The county capitals give the second level of the representation of interest. The county capitals collect a great share of county and regional ranged organizations, verifying the connection of the settlement slope and the range of the organizations. Their roles are enforced by that the nonprofit service centers, which are to improve the whole sector, are established on the basis of county capitals.

15. Considering the organizational supply, huge differences can be experienced between the county capitals. The function-rich, bigger regional centers generally have great weight in their county, moreover they emerge in public services and in resource supply too. The examinations reveal the closing up and huge stepping forward in the ranking of the county capitals about two economically advanced, but according to the nonprofit organizational supply lagging behind county capitals: Győr and Székesfehérvár. Those county capitals which are growing quickly leave far behind of their counties. In connection to this, the results of the cross tab examinations refer to that the development paths of the county capitals and the rest part of the countries tend to divide.



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- 2) Connection Loss in Telecottages South-Western Hungary. „Social Capital as a Resource for Sustainable Rural Development”, Euracademy Association és University of Helsinki Institute for Rural Research and Training Seinajoki Unit, Ilmajoki – Finland, 3-12 June 2005
- 3) Spaces and Networks in the Hungarian Civil Society. „Humán erőforrás fejlesztése a civil szektorban”, Alapítvány a Magyar Felsőoktatásért és Kutatásért, Budapest, 5 November 2004
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- 5) Relations of Small Settlements in Zala County (Nonprofit Organizational Networks). „Geográfus Doktoranduszok VIII. Országos Konferenciája”, Szegedi Tudományegyetem, Szeged, 4-5 September 2004
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